



Housing & Affordability

Southern California Association of Governments
7th Annual Regional Housing Summit
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Overview

- Market At A Glance
- Housing Gaps
- Solutions





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Market At A Glance

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Long-Term Perspective

2006 Sales Were 11th Highest On Record

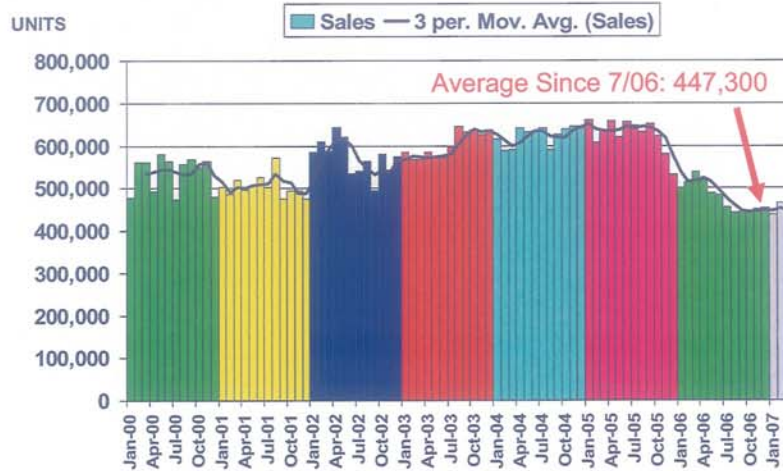


SOURCE: California Association of REALTORS®



Sales of Existing Detached Homes

California, March 2007 Sales: 427,110 Units, Down 14.4% Y-T-D, Down 20.8% Y-T-Y

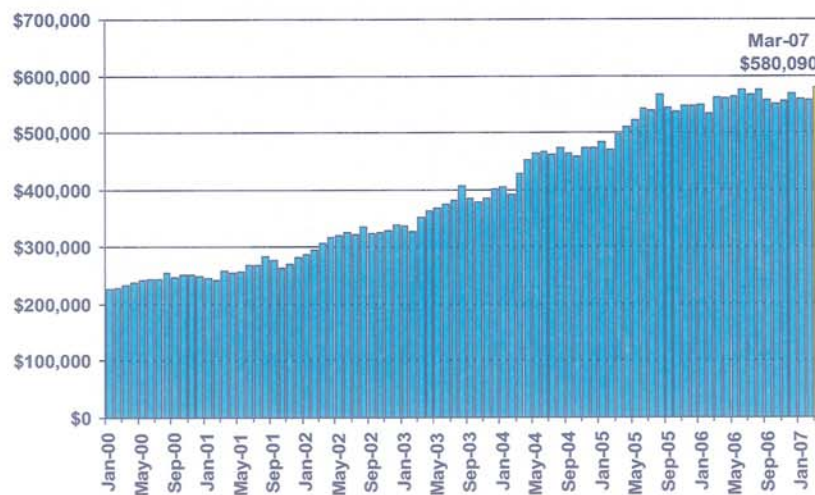


SOURCE: California Association of REALTORS®



Median Price of Existing Detached Homes

California, March 2007: \$580,090, Up 3.2% Y-T-Y



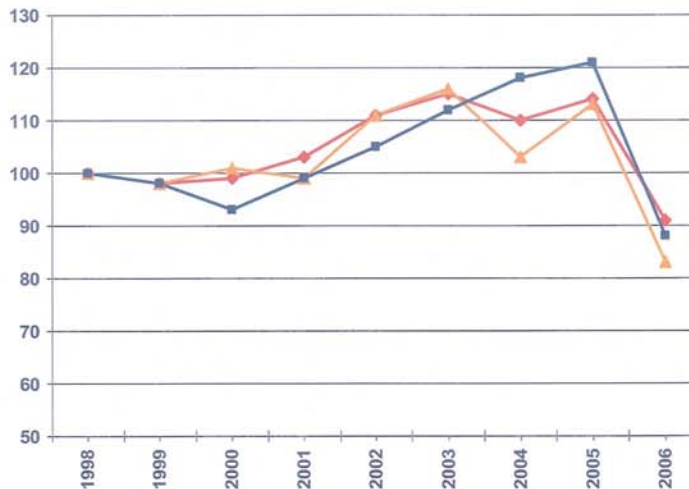
SOURCE: California Association of REALTORS®



Annual Sales Index by Region 1998-2006 (1999 Sales = 100)

Year 1999 = 100

LA OR RV/SB



2005-2006

LA: -20.2%

OC: -26.8%

IE: -27.5%

All 3 areas
greater than
pre-1998
levels



Sales of Existing Detached Homes

County	Mar-07	Feb-07	Mar-06	M-t-M	Y-t-Y	Y-t-D
High Desert	637	571	1,167	11.6%	-45.4%	-35.9%
Los Angeles	4,750	3,061	4,978	55.2%	-4.6%	-6.8%
Orange	1,509	1,131	1,778	33.4%	-15.1%	-9.6%
Palm Springs	590	430	841	37.2%	-29.8%	-23.9%
Riverside/SB	1,017	719	1,636	41.4%	-37.8%	-33.2%
San Diego	1,562	1,154	1,946	35.4%	-19.7%	-13.3%
Sta. Barbara Area	166	115	184	44.3%	-9.8%	-7.7%
Ventura	444	374	616	18.7%	-27.9%	-18.3%
TOTAL	10,675	7,555	13,146	41.3%	-18.8%	-15.6%

SOURCE: California Association of REALTORS®



Median Price of Existing Detached Homes

Southern California Regions

County	Mar-07	Feb-07	Mar-06	M-t-M	Y-t-Y
High Desert	\$ 320,833	\$ 319,860	\$ 326,713	0.3%	-1.8%
Los Angeles	\$ 571,110	\$ 593,658	\$ 556,746	-3.8%	2.6%
Orange	\$ 706,650	\$ 692,823	\$ 717,323	2.0%	-1.5%
Palm Springs	\$ 389,763	\$ 387,661	\$ 391,025	0.5%	-0.3%
Riverside/SB	\$ 394,371	\$ 409,536	\$ 401,103	-3.7%	-1.7%
San Diego	\$ 605,946	\$ 593,685	\$ 607,368	2.1%	-0.2%
Sta. Barbara-So. Coast	\$1,200,000	\$1,000,000	\$1,190,000	20.0%	0.8%
Sta. Barbara-North Cnty.	\$ 407,143	\$ 432,353	\$ 461,702	-5.8%	-11.8%
Ventura	\$ 672,548	\$ 680,692	\$ 678,850	-1.2%	-0.9%

SOURCE: California Association of REALTORS®



Variability Among Local Markets

Region	Peak Month	Peak Price	Median 2007-03	% Chg From Peak
Palm Springs/Lower Desert	Jun-05	\$393,370	\$389,760	-0.9%
Central Valley	Aug-05	\$363,680	\$331,450	-8.9%
Northern California	Aug-05	\$440,420	\$391,460	-11.1%
Sacramento	Aug-05	\$394,450	\$363,000	-8.0%
Northern Wine Country	Jan-06	\$645,080	\$601,560	-6.7%
High Desert	Apr-06	\$334,860	\$320,830	-4.2%
Orange County	Apr-06	\$729,370	\$706,650	-3.1%
San Diego	May-06	\$622,380	\$605,950	-2.6%
Monterey Region	Jun-06	\$732,250	\$729,840	-0.3%
San Luis Obispo	Jun-06	\$620,540	\$550,400	-11.3%
Ventura	Aug-06	\$710,910	\$672,550	-5.4%
Riverside San Bernardino	Jan-07	\$415,160	\$394,370	-5.0%
Los Angeles	Feb-07	\$593,660	\$571,110	-3.8%
CALIFORNIA	Mar-07	\$580,090	\$580,090	0.0%
San Francisco	Mar-07	\$785,380	\$785,380	0.0%
Santa Clara	Mar-07	\$830,000	\$830,000	0.0%



California Housing Market Forecast

	2002	2003	2004	2005	2006	2007f
SFH Resales (thousands)	572.6	601.8	624.7	625.0	477.4	443.9
% Change	13.6%	5.1%	3.8%	0.04%	-23.6%	-7.0%
Median Price (\$ thousands)	\$316.1	\$372.7	\$450.8	\$524.0	\$556.6	\$550.0
% Change	20.5%	17.9%	20.9%	16.2%	6.2%	-2.0%
30-Yr FRM	6.5%	5.8%	5.8%	5.9%	6.4%	6.6%
1-Yr ARM	4.6%	3.8%	3.9%	4.5%	5.5%	5.5%

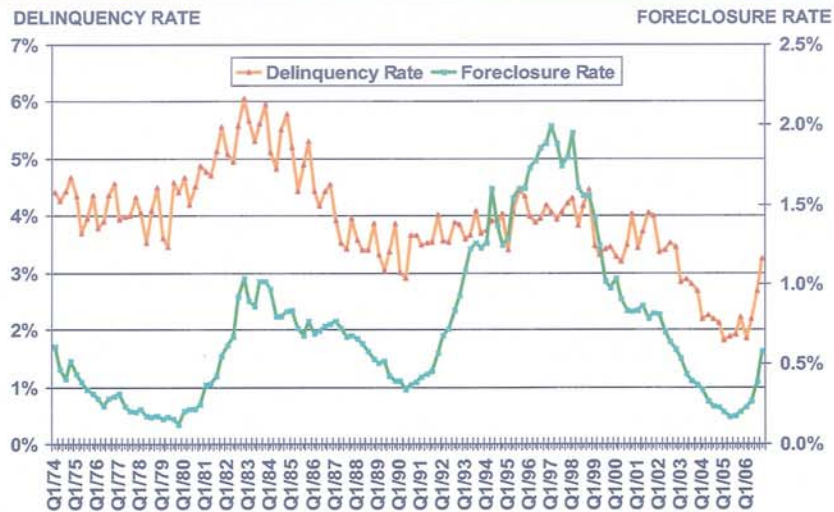


Foreclosure Concerns

- Subprime Loans: from under 5% to 14% of mkt
- Rapid increase in number of foreclosures
- CA doing better than other states because of better economy.
- Long-playing situation through 2008
- Two Impacts
 - Direct: Sub-prime borrowers
 - Indirect/Psychological: Broader market



Mortgage Foreclosure Rates California



SOURCE: Mortgage Bankers Association



Recap – Market Outlook

- Market May Bottom Out in 2007- Stability in
 - Seasonally Adjusted Sales
 - Inventories
 - Rates
- Sales to Recover Before Prices
- Sub-Prime/Foreclosure Situation A Concern
 - Direct Impact Narrow
 - Psychological Impact Broader





Housing Gaps

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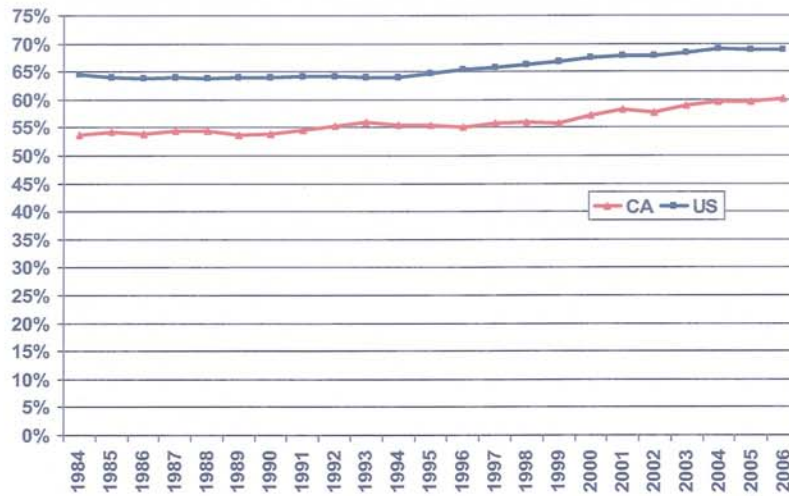
Housing Gaps

1. Homeownership Gap
2. Affordability Gap
3. Production Gap



Homeownership Gap

California Vs. U.S.



SOURCE: U.S. Census Bureau



Homeownership Rates by California MSA

• Bakersfield	62.3%
• Fresno	53.9%
→ • Los Angeles/Orange	54.5%
• Ventura	69.8%
• Riverside/SB	68.3%
• Sacramento	64.2%
• San Diego	61.2%
• San Francisco	59.4%
• San Jose-Sunnyvale	59.4%
• CALIFORNIA	60.2%



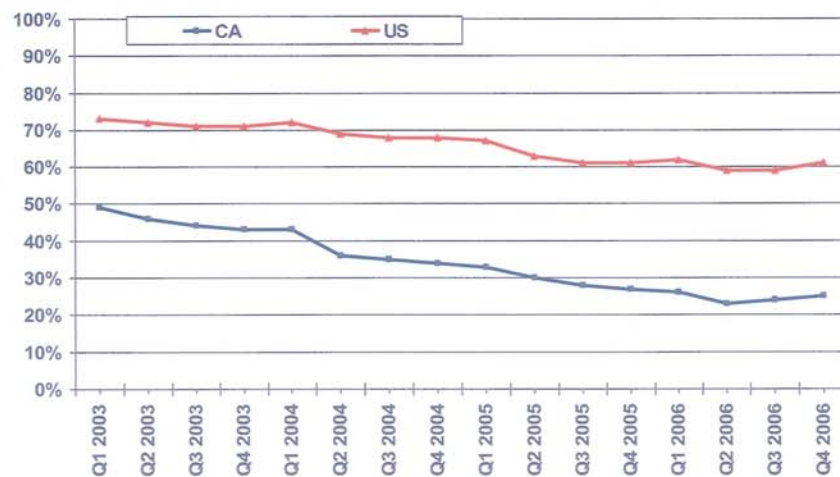
Homeownership Rates, 2006 Major US Metro Areas

- New York (#1) 53.6%
- • LA/OC (#2) 54.5%
- Chicago (#3) 69.6%
- Philadelphia (#4) 73.1%
- Dallas (#5) 60.7%



Affordability Gap – First-Time Buyer Index California Vs. U.S. 2003-2006

% OF HOUSEHOLDS THAT CAN BUY



SOURCE: California Association of REALTORS®



Housing Affordability Index-First-Time Buyers So Cal Regions, Q1-2007

Region	HAI	Entry-Level Price	Calculated Monthly Payment	Minimum Qualifying Income
Los Angeles County	20	\$501,390	\$3,370	\$101,090
Orange County	25	\$592,660	\$3,980	\$119,490
Riverside/SBernardino	36	\$343,770	\$2,310	\$69,310
San Diego County	23	\$505,890	\$3,400	\$102,000
Ventura County	26	\$571,860	\$3,840	\$115,300
Southern California	25	\$474,960	\$3,190	\$95,760
California	25	\$480,670	\$3,230	\$96,910
United States	64	\$180,460	\$1,210	\$36,380



Housing Costs Have Doubled

		First-time Buyer Income: \$75,000	Median Household Income: \$60,000
Year	Monthly Payment	% of Income	% of Income
1999	\$1,200	19%	24%
2006	\$2,400	38%	49%

SOURCE: California Association of REALTORS®



Demand & Affordability

Key Observations

- Affordability Key to Health of Market
- Market Hit Wall When Affordability Fell to Record Low
- Steady/Lower Prices & Steady Interest Rates >>> Affordability Improves



Inflation Adjusted Monthly Payment

Monthly Payment
Adjusted for Inflation

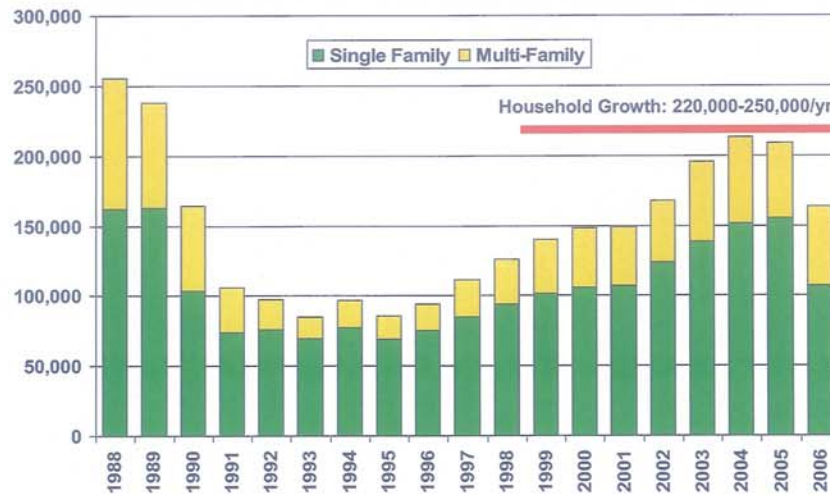


SOURCE: DataQuick Information Systems



Production Gap: HH Growth minus Permits

California, 1988-2006, March '07: Down 28.4% YTD



SOURCE: Construction Industry Research Board



Solutions

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*** Solutions ***

- Production Gap is Primary Source of CA's Housing Problems.
- Solutions must include:
 - Increase in Production: Owner-Occupied AND Rental
 - Revitalization of Neighborhoods
 - Change Incentive Structure Facing Cities
 - Fiscal
 - Housing & Zoning Requirements
 - Improve Business & Legal Climate for Developers



Thank You

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